

Member-tenants of an apartment complex represented. A nonprofit organization formed to represent member-tenants of an apartment complex in negotiations with landlords, in litigation, and before local and Federal regulatory agencies with respect to matters of mutual concern to the tenants does not qualify for exemption under section 501(c)(4) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was formed as a nonprofit corporation to promote the common interest of tenants who reside in an apartment complex. Any person regularly living in the complex is eligible for membership. The organization represents its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, and to secure reasonable rentals. The organization also provides legal representation for members as a group in litigation and before local and Federal regulatory agencies involving matters of mutual concern to the members as tenants.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one that is operated to bring about civic betterment and social improvements.

The concept of social welfare implies a service or program directed at benefiting the community rather than a private group of individuals. *Commissioner v. Lake Forest, Inc.*, 305 F.2d 814 (4th Cir. 1962).

The organization in this case is operated essentially for the private benefit of its members. Thus, it is not primarily engaged in activities for the common good and general welfare of the people of the community. Accordingly, this organization does not qualify for exemption from Federal income tax under section 501(c)(4) of the Code.